

**MINUTES OF THE
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK**

For the meeting held on
Tuesday, January 23, 2018 at 2:00 p.m.
Steinberg Conference Room, Suite 1700
1325 J Street, 17th Floor
Sacramento, California 95814

Chair Panorea Avdis called the meeting of the California Infrastructure and Economic Development Bank (IBank) Board to order at approximately 2:00 p.m.

1. Call to Order and Roll Call

The following Board members were in attendance:

Chair, Panorea Avdis for the Governor's Office of Business and Economic Development
Brian Annis for the Secretary of the California State Transportation Agency,
Steve Juarez for the State Treasurer's Office,
Jacqueline Wong-Hernandez for the Director of the Department of Finance, and
Peter Luchetti, Governor's Appointee

IBank staff members in attendance were

Teveia Barnes, Nancee Trombley, Stefan Spich, and William Pahland

Information Item

2. Executive Director's Report

Executive Director Teveia Barnes started the Report by noting that Form 700 filings would be required of the IBank Board members before the April 2nd deadline. Ms. Barnes then provided an update on the Jump Start program. She noted that 5 new loans had been made in the past month and provided a breakdown of the loans and the borrowers. She concluded by noting that 14 new individuals had received 27 hours of technical assistance, bringing the totals to 105 individuals provided with 255 hours of technical assistance. Ms. Barnes informed the Board that no small business loans had been made in the disaster areas yet, but noted that housing was likely the first order of business. Mr. Steve Juarez asked about the term of the loans and their performance. Ms. Barnes responded that the loans were for 5 years terms, and repayment data would be available after a year of such loans being outstanding. Chair Avdis asked where in the State the loans had been provided. Ms Barnes responded that the majority had been made in the Central Valley but that Northern California and the Bay Area were also well represented. She concluded that Southern California would likely see an increase in activity due to the recent fires and resulting disaster declarations.

Consent Item

3. Approve minutes from the meeting held on November 28, 2017

Chair Avdis discussed the delay in approving the November 28, and December 13, 2017 Minutes and discussed the proper method for approval of those Minutes and the December 19, 2017 Minutes. Mr. Juarez, Mr. Brian Annis and Ms. Jacqueline Wong-Hernandez all noted that they had consulted with their counterparts (Blake Fowler, Augustine Jimenez, and Eraina Ortega, respectively) and were prepared to approve all of the Minutes concurrently. Mr. Peter Luchetti noted he had been at 2 of the 3 Board Meetings and would be voting for those only. Mr. Juarez made a motion to approve the Minutes and Ms. Wong-Hernandez seconded. The board members voted unanimously to approve the November 28, December 13, and December 19, 2017 Board Meeting Minutes.

Action Items

- 4. Resolution No. 18-01 approving the issuance of tax-exempt revenue bonds (green bonds) in a par amount not to exceed \$475,000,000 to assist the State Water Resources Control Board, a State entity within the California Environmental Protection Agency, in providing financial assistance to eligible projects of local agencies statewide.**

Ms. Fariba Khoie, Bond Unit Manager, introduced Resolution No. 18-01. Representing the borrower were Ms. Leslie Laudon (Deputy Director of Division of Financial Assistance, SWRCB), Christopher Stevens (CWSRF Program Manager, SWRCB), Anne Hartridge (Senior Staff Counsel, SWRCB), Arto Becker (Bond Counsel, Hawkins, Delafield & Wood) and Simon Wirecki (Underwriter, Bank of America Merrill Lynch). Chair Avdis thanked Ms. Khoie, welcomed the borrower representatives and asked if they had any comments.

Ms. Leslie Laudon introduced her SWRCB team, and provided an overview of the Clean Water State Revolving Fund and its financing programs. Ms. Laudon then noted that due to technical complications, the SWRCB had been unable to approve the financing at their meeting earlier in the day. She asked that IBank Board consider approval of the item conditioned on the subsequent approval by SWRCB. The Board agreed. Mr. Christopher Stevens then discussed the larger picture of how the Bonds would be used in the SWRCB's financing plans, including the SWRCB's adoption of a new debt management policy, an increase in approved leverage to \$2.2 billion and the expected increase in demand for new CWSRF financing. Mr. Stevens noted these Bonds would be sold as "green bonds" and were expected to receive "AAA" ratings. Finally Mr. Stevens noted that the Official Statement disclosed the January 16th, 2018 introduction into the House of Representatives of H.R. 4805 which, if passed, could impact federal funding for state's with "sanctuary" policies, such as California.

The Board responded with a few questions. Mr. Juarez first asked about the proposed structure and coupon of the Bonds. Mr. Simon Wirecki responded that there was a substantial premium built in, but that this 5% coupon was consistent with past practice and led to the lowest cost of capital from institutional investors who were looking for this structure. He concluded by noting that the structure was flexible, would be closely monitored and adjusted throughout the pricing and would be structured with lower coupons over the shorter maturities to entice retail investors.

Mr. Juarez then asked if the Bonds would be certified as "green" by any third party and how the parties were approaching this issue. Ms. Teveia Barnes said they would not be certified as "green bonds" and responded that IBank's "green bond" analysis was to look at both the underlying portfolio and the cost compared against any pricing enhancement associated with such certification. She noted these Bonds were essentially "green" by design as the underlying projects were purely focused on environmental issues and that IBank had not found a net financial benefit to such third party certification. Ms. Barnes concluded that the Official Statement would disclose that this issuance had not been certified as "green bonds"

by any third party. Mr. Stevens agreed that he did not believe a third party certification would provide any proven financial benefit to offset their continued cost. He concluded that SWRCB would continue to monitor developments in the “green bond” market, including third party certification. Mr. Juarez concluded by noting that what qualified as a “green bond” would continue to undergo scrutiny and change. Mr. Wirecki agreed, but noted that until there was a more developed “green bond” market, the choice to designate as “green” and the related choice to use a third party certification were policy and not financial decisions, as there was no clear pricing value discernable from these decisions. He concluded that he believed the projects underlying these bonds were so clearly and inherently “green” that third party certification would be of little to no help on this issue.

Chair Avdis thanked Ms. Laudon, Mr. Stevens and Mr. Wirecki and asked for further questions or comments from the Board. After asking for and hearing no public comment, Mr. Annis moved to vote, which was seconded by Ms. Wong-Hernandez. The Board voted unanimously to pass Resolution 18-01.

Reporting/Non-Action Business

There was no further items of importance to discuss.

Public Comment

Chair Avdis asked if there were any questions or comments from the public and there were none.

Adjournment

Chair Avdis declared the meeting adjourned at approximately 2:28 p.m.